

Unless otherwise provided in the law, the will, the deed, or other instrument creating the estate, trust or fiduciary relation, the net income shall be deemed to be distributed or distributable to the beneficiaries (including the fiduciary as a beneficiary, in the case of income accumulated for future distribution) ratable in proportion to their respective interests.

Income distributable in proportion to interest.

SEC. 303. *Determination of gain or loss.*

For the purpose of ascertaining the gain or loss from the sale or other disposition of property, real, personal, or mixed, the basis shall be in the case of property acquired before January first, one thousand nine hundred and twenty-one, the fair market price or the value of such property as of that date, and in all other cases, the cost thereof: *Provided*, that in the case of property which was included in the last preceding annual inventory used in determining net income in a return under this act, such inventory value shall be taken in lieu of costs of market value. The final distribution to the taxpayer of the assets of a corporation shall be treated as a sale of the stock or securities of the corporation owned by him, and the gain or loss shall be computed accordingly.

Determination of gain or loss.

Basis for determination of gain or loss.

Proviso: inventory value.

Final distribution of assets of corporation.

SEC. 304. *Exchanges of property.*

1. When property is exchanged for other property, the property received in exchange shall be considered as a conversion of assets from one form to another, from which no gain or loss shall be deemed to arise.

Exchanges of property.

2. In the case of the organization of a corporation, the stock or securities received shall be considered to take the place of property transferred therefor, and no gain or loss shall be deemed to arise therefrom.

Organization of a corporation.

3. When in connection with the reorganization, merger or consolidation of a corporation, a taxpayer receives, in place of stock, or securities owned by him, new stock or securities, the basis of computing the gain or loss, if any, shall be, in case the stock or securities owned were acquired before January first, one thousand nine hundred and twenty-one, the fair market price or value thereof as of that date, and in all other cases the cost thereof.

Stock or securities received in reorganization, merger or consolidation of corporation.

SEC. 305. *Inventory.*

Whenever in the opinion of the Commissioner of Revenue it is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer, upon such basis as the Commissioner of Revenue may prescribe, conforming as nearly as may be to the best accounting practice in the trade or business and most clearly reflecting the income.

Inventory of taxpayers.

When ordered by commissioner.